The Frozen Vegetable Market in Brazil

August 1999

Prepared by the
Team Canada Market Research Centre
and the
Canadian Trade Commissioner Service

(FaxLink no. 34946)

Canada

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The Team Canada Market Research Centre
August 1999

THE FROZEN VEGETABLE MARKET IN BRAZIL

Team Canada Inc • Équipe Canada inc

EXECUTIVE SUMMARY

The frozen vegetable market in Brazil is growing and becoming increasingly competitive, even though purchases and consumption are limited to approximately 15% of the population. In 1998, total sales of frozen vegetables exceeded $560 million,[1] while imports comprised 12% of the total. Canada exported $3.1 million in frozen vegetables in 1998, more than 90% of which were frozen potatoes.

Market share for imports is still developing since frozen vegetables faced an import ban in Brazil prior to 1994. Several multinational companies have constructed processing plants in Brazil, or in neighbouring MERCOSUR countries (i.e. the southern cone common market), to avoid the high tariff rates and transportation costs associated with importing. However, several companies were recently forced to delay their plans to enter or expand into the market when the economic recession in Brazil slowed growth in the sector, causing a decline in consumer spending confidence.

In recent years, the busier lifestyles and higher disposable incomes of Brazilian consumers has made frozen vegetables an attractive and sought after product. It is expected that with the strengthening of the economy, consumers will return to buying greater quantities of frozen foods, including frozen vegetables. While frozen food sales are inhibited by the low number of consumers who own freezers, a rise in consumer spending confidence could also increase the sale of freezers and microwaves, which would increase the demand for frozen goods. Frozen vegetables also appeal to the developing restaurant industry. Retail improvements and selection have made frozen vegetables a viable alternative to fresh varieties.

Despite some remaining trade barriers and low disposable incomes, Brazil is a good market for investment. Its revalued currency will lend more confidence to the strength of the economy, paving the way for economic recovery. A return to growth is predicted, therefore entry into the market at this juncture may be beneficial. Although the southern

[1] All currency amounts are in Canadian funds unless otherwise stated. The source for the currency conversion rates for the Canadian dollar, the Brazilian real, and the American dollar are the average annual rates based on IDD Information Services, *Tradeline*, July 1999, and the United States Federal Reserve Bank of St. Louis, September 1999.

market is already highly developed and competitive, the northeastern market is still in the early stages of development. Modernization and privatization of northeastern ports will also decrease transportation time and expenses to inland areas, as goods will not have to make the trek from the south.

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MARKET OVERVIEW

The frozen foods market in Brazil is one of the fastest growing in the world, experiencing a growth rate of 25% over the past five years. Within the frozen foods market, demand for frozen vegetables has shown the greatest growth in the last three years, with sales increasing 270%. This growth has made frozen vegetables into the largest segment in the frozen food market in volume sales in Brazil, and the second-largest segment in terms of value. Sales of frozen vegetables in Brazil topped $560 million in 1998, with imports accounting for 12% of that total. Several factors have contributed to these growth levels, including increased purchasing power and the low prices of frozen vegetables compared to fresh ones.

Most Brazilians purchase their vegetables "fresh" every two or three days. Small local produce markets dominate vegetable sales in Brazil; however, the developing retail sector has aided in the rapid growth of the frozen vegetable market, as consumers increasingly seek the convenience of one-stop shopping. Surveys indicate that among consumers of frozen vegetables, 79% eat frozen vegetables at least once a week. The favourite varieties include potatoes, broccoli, carrots, cauliflower, peas, Brussels sprouts and spinach.

There was significant growth in the frozen food market from 1991 to 1995. Sales were up 79%, and sales volume increased 55%. Between 1996 and 1997, frozen vegetable sales increased by more than 270%. These growth rates are attributable to a number of factors, including economic stabilization, increased product diversity and demographic changes — all of which have increased the demand for convenience foods. The consistent quality and conformity of imported frozen food is apparent to consumers. With a return to economic stability, growth is expected to continue as the market introduces a wider variety of products at varying prices.

In 1997, approximately 65% of frozen vegetable sales occurred in the retail market (supermarkets and hypermarkets), while the remaining 35% occurred in the institutional (hotel, restaurant, and industry) market. For frozen potatoes specifically (largely in the form of frozen French fries), nearly 90% of sales were focussed in the institutional market.

Key Factors Shaping Market Growth

Brazil is currently in an economic recession, following a period of growth that was brought about by the stabilization of the economy under the "*Plan Real*," which was introduced in 1994. Under this plan, Brazil saw the demise of hyperinflation and an increase in consumer purchasing power. Since that time, however, economic performance in Brazil has struggled. The Brazilian economy grew 3.68% in 1997, but slowed to just 0.54% in 1998, its smallest growth since 1992. On January 13, 1999, Brazil was forced to devalue its currency and allow it to float on global markets. Following the devaluation, the *real* plunged, losing more than 35% of its value, which threatened to significantly affect the country's economy as well as the economies of its Latin American and MERCOSUR partners (i.e. the southern cone common market, which includes Argentina, Uruguay and Paraguay; Bolivia and Chile are associate members).

These economic struggles demonstrate Brazil's efforts to defend the overvalued *real* against similar economic collapses in the developing economies of Asia and Russia in 1998. Brazil has been able to recover more quickly than other struggling economies because it does not rely heavily on imports. Interest rates have fallen for eight consecutive periods, from 49% to 22%, and inflation is under control at a rate of less than 8% per annum. Predictions are that Brazil's 1999 economy will shrink by 1.5%.

The changing demographic of Brazil is one of the most important reasons for the growth in demand for frozen vegetables. Nearly 80% of the 162 million citizens live in urban areas. The population growth rate is currently at 1.3%; however, this rate is declining, indicating that the Brazilian population is getting older. The aging of Brazilian society (with an average age of 24 years) means that processed foods can be targeted at an increased number of consumers. However, this number is restricted to the 15% of the population able to afford luxury and processed foods.

Brazil has a low level of per capita consumption of frozen vegetables. While the country has impressive growth rates for consumption (68%), only a small portion of Brazil's population is actively involved in the market. On a per capita basis, Brazilians only consume 700g to 800g of frozen vegetables per year, and this consumption is limited to approximately 15% of the population that can afford to purchase them.

Per capita income levels were estimated to exceed $7 000 in 1998, and in larger urban centres such as São Paulo, were greater than $11 000. Approximately 28% of annual income is spent on food products. Prior to the recession, stronger purchasing power, coupled with the busier lifestyles of young professionals and the increasing number of single parent households, contributed to consumer interest in frozen vegetables because of their convenience and quality. Also resulting from this increased purchasing

power, microwave oven sales increased, contributing to the growth in sales of frozen foods. Currently, however, consumers must balance the desire for convenient, quality frozen goods against the higher costs of imported goods and household budgetary restrictions.

Changing eating patterns along with an explosion in fast food restaurants and large-scale supermarkets have created high growth opportunities for frozen vegetable sales. This growth in the frozen vegetable market is limited somewhat by Brazilian consumers' lack of frozen storage capabilities. Freezers are not common household items in Brazil, although economic stabilization up to 1997 increased freezer ownership substantially. While purchases of luxury goods declined with the onset of the recession, first-time purchases of household appliances (such as freezers) are expected to continue at pre-recession levels once consumer confidence returns.

Opportunities

The frozen vegetable import market in Brazil commenced in 1994, and it is experiencing great changes as it develops. Imported goods from non-MERCOSUR countries are more expensive than those produced locally because of the various tariffs and fees applied to non-MERCOSUR products. Therefore, marketing efforts for these products must focus on the quality of the imported goods. Though there is considerable room for growth in the frozen vegetable market, many exporters have discovered the benefits of establishing joint ventures with local vegetable producers, thereby avoiding the high tariff rates and making their products more price competitive.

Brazil's market potential is also limited by product diversity. Although the introduction of a variety of vegetable mixes and blends has proven to be very successful, the market lacks diversity.

The southeastern region of Brazil, which includes the states of Rio de Janeiro and São Paulo, is the strongest market for processed foods, and should be the focus of initial penetration into the market. The recent influx of foreign and domestic investment is also helping other regions to develop, particularly in the northeast. The continued development of these regions should promote tourism, and consequently increase employment rates and per capita income.

Brazil is in the midst of a health oriented food trend. Traditionally, Brazilians have had a high-fat diet but recent attention to health concerns has opened up new markets for healthier foods. Another boon for the frozen vegetable market is the rise of vegetarian lifestyles in South America.

Industry sources fully expect short term growth in Brazil to be substantial. Frozen

vegetables are anticipated to recover their leading position in the total frozen food market, which was recently lost to ready-made meals. Increased product diversity and competition should offset some of the value growth in this sector.

The use of frozen vegetables is increasingly common in the Brazilian restaurant and hotel industries, offering a cost efficient means of providing consistent vegetable quality as well as expanding the variety available on menus. These sectors are fully equipped with storage facilities, and should be targeted as potential clients by exporters.

Convenience products are good entry markets in Brazil. Meal kits such as vegetable blends are proving to be very popular with Brazil's new consumer class. New product development such as ethnic vegetable blends, provide the ready-to-use options favoured by consumers.

The developing retail food sector (supermarkets and hypermarkets in particular), are creating private label segments that are performing well in their infancy. With competitive pricing necessary in order to expand the market base, private label products have considerable potential in Brazil.

Actual and Planned Projects

One of the strongest international competitors in the frozen vegetable sector is the French deep-frozen vegetable producer, Bonduelle. The company is represented in Brazil by its subsidiary, Bonduelle do Brasil, and has been supplying frozen vegetables to the Brazilian market from its factory in Chile since 1994. In that time, its Brazilian sales have increased at 30% per year, representing a growth of 800% in its exports to Brazil. In July 1998, Bonduelle announced a $32.6 million investment to construct its first two production plants in Brazil. Of the total investment, $5.9 million was destined for a fresh vegetable processing plant, while the remainder was designated to a deep-frozen vegetable plant with an initial capacity of 15 000 tonnes per year. One month later, the plans for the frozen vegetable plant where suspended, however, they will likely be reinstituted as the Brazilian economy strengthens.

COMPETITIVE ENVIRONMENT

Local Capabilities

Brazil's large and sophisticated food processing industry benefited for years from protective import barriers that allowed the industry to develop vast distribution networks and establish brand awareness. With the opening of markets to imported goods, Brazilian food product quality has improved, and product lines have expanded. Despite

increased competition, the key advantage which local producers continue to enjoy is lower retail pricing, due to the duties and transportation costs inherent in importation. However, as more multinationals enter the Brazilian market, Brazilian companies will be forced to continue improvements in technology and food quality to compete for market share, while also maintaining price competitiveness.

Fifty-one percent of the frozen food market in Brazil is controlled by small firms. Sadia, Perdigão, and Pratigel are three major local frozen vegetable producers, while Cac, another dominant frozen vegetable producer in Brazil, controls 7% of the total frozen vegetable market. Local producers presently supply more than 50% of the market's demand.

International Competition

Although importing frozen vegetables commenced in 1994, exporters outside MERCOSUR face significant challenges to capture shares of market sectors. Under the MERCOSUR customs union agreement, the four countries comprising the union aim to conduct free trade across their borders, including agricultural goods, while other countries still face various tariff and non-tariff barriers. MERCOSUR originally hoped to incorporate Chile and Bolivia by the year 2000, however, for now they remain associate members. In January 1999, inter-regional tariffs between Argentina and Brazil were eliminated following the completion of a five year cycle of tariff rate deductions. January 2000 will bring the elimination of the same tariffs in Uruguay and Paraguay, completing the elimination of most tariff and non-tariff barriers to trade between the MERCOSUR member countries, however the customs union will not be in full effect until January 2006, when the Common External Tariff (CET) will be uniformly applied by each of the MERCOSUR countries.

The European Union is set to commence free trade discussions with MERCOSUR, including the topic of agriculture. These discussions are expected to take years to formulate an agreement, however the impact of an E.U.-MERCOSUR free trade pact would significantly affect competition for all exports of Canadian agri-food products to the region. Talks will begin in November 1999 to address non-tariff issues, with tariff discussions starting in July 2001.

Canadian Position

In 1998, Canada was the second largest exporter of frozen vegetables to Brazil, increasing exports nearly 60% over 1997 totals, to $3.1 million. Frozen potatoes accounted for over 90% of these Canada's frozen vegetable exports in 1998.

Canadian producers have a strong presence in certain sectors of the frozen food

market, with several Canadian companies already well established. McCain Foods Limited established a French fry production plant in Balcarce, Argentina in 1995 to supply the growing demand for potato products in Argentina, Brazil, Chile, and Uruguay. This enabled McCain take advantage of inter-MERCOSUR free trade, and avoid the CET. Cavendish Farms also exports frozen French fries to Brazil.

Table 1: Canadian Frozen Vegetable Exports to Brazil, 1996-1998

HS Code	Product	1996	1997	1998
071010	Potatoes	$1 814 967	$1 297 956	$2 939 200
071021	Peas	148 394	414 067	95 756
071022	Beans	0	464	4 742
071029	Legumes, raw/boiled	32 301	19 041	972
071030	Spinach	1 926	979	2 248
071040	Sweet Corn	28 951	22 601	13 360
071080	Vegetables n.e.s.	199 672	58 519	30 596
071090	Mixed Vegetables	85 220	149 979	49 537
	TOTAL	***$2 311 431***	***$1 963 605***	***$3 136 410***

Source: *World Trade Atlas*, Global Trade Information Services, Inc., 1999.

There are many opportunities in various segments of the frozen food market for Canadian producers, however consideration should be paid to regional tastes and market-specific strategies should be adopted. Imported processed food is viewed as being of higher quality than domestically produced products, which will aid entrance into new sectors. Generally, frozen vegetables are seen as a favourable alternative to poorly regarded canned vegetables.

Despite the opportunities that exist, Canadian exporters face several challenges in establishing market share. Generally, there is a low awareness of Canadian products and companies in Brazil. Brazilian importers have focussed on MERCOSUR, U.S., and E.U. suppliers for food needs, to the disadvantage of Canadian producers. Brazilian importers are not adverse to Canadian food products, however, some Brazilian importers perceive that some Canadian companies do not take a long term approach to conducting business in Brazil. Positive marketing of Canadian foods, and thorough management of business relationships with Brazilian counterparts, may serve Canadian exporters well to gain market shares in the respective frozen vegetable import sectors.

With an abundance of small frozen food producers, opportunities for joint ventures are available in Brazil. Canadian producers seeking joint ventures or shared production facilities in Brazil will benefit not only from tariff relief in that country, but will also gain

access to the other MERCOSUR markets through inter-regional free trade.

Competitive Advantage Through Canadian Government Policies and Initiatives

The Export Development Corporation (EDC) offers a full range of trade finance services that helps Canadian Exporters and Investors do business in foreign jurisdictions, including higher risk and emerging markets. Founded in 1944, EDC is a Federal Crown Corporation that operates as a commercial financial institution. Principal services are Account Receivable Insurance, Political Risk Insurance, Bonding for International Transactions and the Financing of International Transactions. For more information, please call the EDC at 1-888-332-3320.

The Canadian Commercial Corporation (CCC) also offers small and medium-sized Canadian companies access to financing and better payment terms under the Progress Payment Program (PPP). The PPP concept was developed as a partnership between major Canadian financial institutions and the CCC. It enables the exporter's bank to open a project line of credit for the exporter's benefit, based on CCC approval of the project and the exporter's ability to perform. For more information, please contact the CCC.

The Program for Export Market Development (PEMD) is the government's primary international business development program. The objective of PEMD is to increase export sales of Canadian goods and services by sharing the costs of activities that companies normally could not or would not undertake alone, thereby reducing risks involved in entering a foreign market. The PEMD refundable contribution is a minimum of $5 000 and a maximum of $50 000. Preference is given to companies with annual sales greater than $250 000 and less than $10 million, or with less than 100 employees for a firm in the manufacturing sector and 50 in the service industry. Eligible activities, the costs of which are shared on a 50/50 basis, include market visits, trade fairs, incoming buyers, product testing for market certification, legal fees for marketing agreements abroad, transportation costs of off-shore company trainees, product demonstration costs, promotional materials, and other costs necessary to execute the market development plan (Other components of the program deal with international bid preparation under Capital Project Bidding, and with Trade Associations when developing international marketing activities for their membership). For additional information, or to receive an application, please contact the International Trade Centre in your province.

WIN Exports, a database of Canadian exporters and their capabilities, is used by trade commissioners around the world and by Team Canada partners in Canada to match Canadian suppliers to foreign business leads, and to share information on trade events. Exporters are therefore encouraged to register their businesses with WIN Exports. For

more information, please visit www.infoexport.gc.ca/section2/winexp2-e.asp.

MARKET LOGISTICS

Channels of Distribution

The distribution system in Brazil for frozen food is well established in certain regions and non-existent in others. Recent developments in the system have seen the introduction of a North American style retail system and it is believed that this will directly benefit the frozen food industry.

Most imports arrive at the ports of Santos and Rio de Janeiro before being transported overland to various destinations throughout the country. Generally, freight costs associated with distributing goods in this manner raise the cost of imported foods, making them more expensive in the northern than in southern or central regions. As the northeast food market continues to develop, and as regional ports become privatized and modernized, it will become more economically viable to ship directly to the northeast ports of Salvador, Recife, or Fortaleza, rather than to truck the products overland from southern ports for 2 000 to 4 000 kilometres.

Direct Sales

Directs sales to the end user are rare, though opportunities are increasing. Food manufacturers, supermarkets, and large food retailers are increasingly buying directly from foreign suppliers, though it amounts to a small portion of total imports. The most popular items to be imported directly are those selling in high volumes, and with high turn over. An agent to aid in coordinating direct sales can be invaluable to establishing a successful import contract.

Agents and Sales Representatives

Since for years the Brazilian market was closed to foreign competition, hiring a local agent/importer is critical to an exporter's success. The knowledge accumulated by agents during the years before the market was opened to imports can prove invaluable to newly exporting suppliers, saving both time and money for the supplying companies. The local agent or agents should be able to import the product, deal with regulatory agencies, handle local sales and distribution, and handle product promotion. Because of Brazil's geographic size, exporters may find it necessary to employ more than one agent to ensure national distribution.

Exporters are advised to choose an agent with the utmost care and to ensure that the

agent is registered with local authorities before signing an agreement. Before selecting an agent, exporters are recommended to verify the agent's reputation by contacting the Consulate in São Paulo. In addition, the Consulate can provide a list of companies that are capable of performing credit checks and can advise on details such as sales volume, employees, and recommendations for credit limits.

Once an agreement has been signed, a Brazilian agent is protected by law from unilateral termination of the contract without just cause. "Just cause" is limited to negligence of the agent, breach of the contract, acts by the agent which are damaging to the foreign principal, or conviction of the agent for a serious criminal offence.

Retail Distributors

The development of supermarkets and hypermarkets has enabled the expansion and diversification of imported processed food product lines. These stores are introducing both one-stop shopping and a new line of convenience foods. Moreover, traditional markets and local stores are beginning to expand the product lines and kinds of food they carry. These are distribution channels with excellent potential for growth.

In the past two years, the Brazilian supermarket sector has experienced massive consolidation. In 1997 and 1998, three of Brazil's top five supermarket chains – the French-owned Carrefour and the locally owned Pao de Acucar and Bompreco – made a number of acquisitions in order to expand their markets in specific regions. Carrefour and Pao de Acucar added to their market leadership in São Paulo state, while Bompreco solidified its role as the market leader in the northeast. Jeronimo Martins and Sonae, Portugal's leading supermarket chains, and Wal-Mart Brasil also made significant purchases in late 1997. ABRAS, Brazil's association of supermarkets, estimates that within the next five years, Brazil's five largest chains will hold 40-45% market share. Overall, supermarkets and hypermarkets currently account for 75% of retail sector food sales. As the Brazilian retail sector continues with supermarket expansion and as the variety of products offered increases, opportunities for import growth will develop. With the diversification of consumer tastes, there will be a demand for both higher-quality foods, and a greater selection of international food options.

Food service operators

Opportunities for the sale of frozen vegetables are good in this market. The expansion and diversification of the restaurant industry has caused suppliers to seek a cheap and ready source of vegetables. Frozen vegetables are gaining market share because of their quality, convenience, attractive appearance, and shelf life.

In addition, many employers in Brazil provide subsidized catered lunches for

employees, usually consisting of rice and dry beans (80%), meat (10%), and vegetables (10%). It is estimated that 6 million catered lunches are served daily, provided by nearly 100 specialized caterers.

Market Entry Considerations

Promotion: Promotional and marketing activities are important to Canadian producers because there is little brand awareness of Canadian products in Brazil. Nevertheless, Canadian products are considered to be of high quality, which is useful for promotional purposes. This is especially relevant since Brazilian consumers are becoming better at assessing the price-versus-quality ratio of goods.

A variety of media types are used to market processed food in Brazil. The most popular is television. With 112 television stations, Brazil's television industry is highly developed. Other media used are: radio, magazines, and newspapers.

Growth in the supermarket and hypermarket sectors will bring increasing competition, requiring strong in-store promotional strategies, due to the increasing numbers of new products to which consumers will be exposed, and the resulting price competition. Although inflation is under control, Brazilian consumers are quite price conscious, so competitive pricing is a must. If a product must be priced higher, stressing the product's superior quality is important to address consumer price concerns.

Exporters should be aware that some supermarkets display imported products in a separate part of the store. This type of product segregation should be avoided if possible, as import sections tend to have a lower volume of consumer traffic.

Transportation and storage: Fully 90% of the cargo shipped within Brazil is transported via its 1.6 million km of roadways. Rail transportation is not as well developed and is typically used only for grains or manufactured goods such as cars.

The most common method of transport into Brazil is via ship. In fact, ports handle approximately 98% of all trade. Brazil has one thousand ports, of which 39 are ocean ports, which can handle ships up to 100 000 tonnes. The two most important ports are in southern Brazil, in Santos and Rio de Janeiro, and have extensive facilities, such as bonded and/or refrigerated warehouses.

In addition to the ocean ports Brazil has numerous river ports, and approximately 50 000 km of navigable inland water ways.

Suggested Business Practices

When establishing contacts in Brazil, exporters are advised to arrange for an introduction by a respected third party, rather than attempting to make contact on their own. Canadian Trade Commissioners can assist in arranging this type of introduction.

Brazilians are not receptive to the often-aggressive North American attitude toward conducting business. Exporters are encouraged to visit the country to foster trust through personal contact and to demonstrate long-term commitment to the business relationship. Since personal relationships are important to Brazilians, exporters are advised to keep the members of the negotiating teams consistent in order to avoid undermining progress that has been made. Exporters should be prepared to discuss all aspects of the contract simultaneously rather than sequentially. It is also advisable for exporters to arrange to have a local accountant and a notary or lawyer present during negotiations to advise on contractual issues, since Brazilians tend to be unreceptive to an outside legal presence. Fostering the business relationship through visits and personal contact is just as important following the successful close of a deal as it is during negotiations.

Import Regulations

Imports to Brazil face duties ranging from 0% to 40%, with the average tariff under the CET being 17%. Several other taxes and fees are also levied against imports, as shown in Table 2.

Table 2: Taxes and Fees Levied on Imports

• Brokerage Fee	--	1% of c.i.f. value
• Warehouse Tax	--	1% of import duty
• Fee for handling charges	--	varies, is now between $28-$140
• Administrative Commission	--	fixed at $140
• Import License Fee	--	approximately $140
• Additional Port Tax	--	two fees totalling 3% of c.i.f. value
• Merchant Marine Renewal Tax	--	25% of ocean freight charge (sea imports only)
• Syndicate Fee	--	2.2% of c.i.f. value

Source: Customs Guide to The Americas, Brazil, 1997.

In addition, there are two government taxes that may be applied:

1) The Industrial Products Tax (IPI) is a federal tax that is levied on both imported and domestic products. The tax is assessed at the point of customs clearance for imports. The value of the tax is based on the products c.i.f. value plus duties. As a guideline, products that incur a low import tariff generally pay a low IPI, and vice versa. Most agri-

food products are exempt from the IPI, but exporters should confirm the exemption for frozen vegetables.

2) The Merchandise Circulation Tax (ICMS) is a state government value-added tax that is applicable to both imports and domestic products. The value of the tax varies from state to state, but the average is 17%. The ICM on imports is assessed *ad valorem* on the c.i.f. value, duties, and IPI. The cost of this tax is generally passed on to the buyer in the price paid for the product.

Current information concerning tariff duties and rates can be obtained by contacting:

Tariffs and Market Access Division (EAT)
Department of Foreign Affairs and International Trade
Tel: (613) 944-5070 or 944-1569
Fax: (613) 992-6002

In May 1994, Brazil created four free trade zones, all located in northern Brazil to encourage trade in the north: Manaus, in the state of Amazonas; Macapá/Santana in the state of Amapá; Tabatinga, in the state of Amazonas, on the border with Peru; and Guajará-Mirim, in the state of Rondónia, on the border with Bolivia. Of these, the most developed is the Manaus Free Trade Zone, which offers special incentives to encourage industrial, commercial, and agricultural development in the heart of the Amazon. Thus far, the venture has been successful, warranting an extension of the incentives to 2013. Goods entering these ports are not subject to custom duties or to federal, state, or local import taxes.

Regulations governing inter-state trade vary from state to state. These regulations can restrict the movement of goods between Brazil's various states. For specific information on state restrictions and rules, contact the Canadian Embassy in Brasilia.

Local Standards, Certificates, or Registrations

Health and Food Safety: For the import of agri-food products, Brazilian authorities currently require a health and sanitary Product Certificate issued by Agriculture Canada and duly stamped by a Brazilian Consulate (Montreal or Toronto) in Canada. At the time of printing, the Brazilian government has informed the Canadian Embassy in Brazil that it has eliminated the requirement for consularization of Canadian sanitary certificates. Pending official notification, the Canadian Embassy in Brazil will be able to officially advise Canadian exporters according to the new regulations. For verification, Canadian exporters are encouraged to contact the Brazilian Consulate in Montreal or Toronto.

A phytosanitary certificate is not necessary for exports of frozen vegetables or pickled

vegetables.

In January 1999, a new food safety inspection agency, the National Agency for Sanitary Surveillance (ANVS), was created to be the scientific regulatory agency responsible for the safety of all foods (except those such as meat, poultry, dairy, fisheries, alcoholic beverages, feed, and veterinary products, which fall under the Ministry of Agriculture), and other consumer products. The ANVS reports to the Ministry of Health, and includes five departments, including the Department of Food and Toxicology (concerned with food production) and the Department of Ports, Airports, and Borders (which covers food imports and exports). Imported food products must be registered with the ANSV before they enter the country.

The Brazilian Ministry of Agriculture and Food Supply (MAA) is expected to create a similar agency to monitor animal and plant health, grain and animal products, and beverages inspections.

Registration at Brazilian National Health Agency: The Brazilian National Health Agency has introduced changes to the legislation. As of 1 March 2000, imported food products will require registration, which must be in conformity with Ordinance SVS 120/99. Raw materials and natural food items are exempt from this requirement. For a copy of the legislation in English or French, please contact the Canadian Embassy in Brazil.

Packaging and labelling

It is essential that shipping marks, port of destination, and package number be prominently shown on the shipping case, and be in such a position as to avoid being covered by any later strapping. Markings of any other kind should be in a less prominent location, and be limited to essential data. Any identifying marks used on the bill of lading should also appear on the shipping case. Portuguese should be used, however, in the absence of translation, English is acceptable.

Labelling for frozen vegetables need not be approved by the Health Ministry but must conform to Ordinance 42/98 issued by the Brazilian Health Ministry. For a copy of the legislation in English, please contact the Canadian Embassy in Brazil.

Retail packaging

Retail packaging is a major advantage for frozen food. Brazilian consumers enjoy the attractive modern packaging of imported goods that domestic products have yet to provide. Consumers prefer individual and small-sized packs, due to limited space in freezers, and the relatively high price of imports. Under the Brazilian Consumer Protection Code, all product labelling must include the following:

- quality;
- quantity;
- composition;
- price;
- guarantee;
- shelf life;
- origin (to include name/address/phone of the producer); and
- risks to consumer health and safety.

All information must be clear, precise, easily readable, and translated into Portuguese. If the package is not printed in Portuguese, a label with the required information in Portuguese must be glued to the package.

Documentation

Import Permit: The import permit is the most important document required for exporting to Brazil. To acquire an import permit, an application must be made to the Foreign Trade Department of the Bank of Brazil (DECEX).

There is a new automated system for obtaining import licences, called SISCOMEX. All applications for licences are now processed on-line for a fee of R$30 ($25.81 in 1999) per import statement, and R$10 ($8.61) per product added to the statement. For information on how to apply on-line, contact one of the Canadian consulates in Brazil or the Brazilian Secretariat of Foreign Trade (SECEX).

The issued permit will state that it is valid for 90 days, the maximum time for embarkation of goods, or in certain cases, for registering the Import Declaration. Exporters requiring an extension because of special operations or predefined exceptions should direct their petition to the Secretariat of Foreign Trade (SECEX).

Commercial Invoice: The invoice should be prepared by the manufacturer or the seller in the country of origin, and should provide the following: full address of the shipper, the seller, and of the consignee; import permit number and other reference numbers; date of order; shipping date; delivery and payment terms, and; a complete description of the merchandise and markings.

Pro-forma Invoice: This invoice is required to apply for an import permit, and the original should be notarized. It must include a full description of goods, including:

- name and address of manufacturer or exporter;
- signed verification that product prices are current export market price for export to any country;
- if applicable, the name and address of the agent, distributor, representative, or concessionaire in Brazil, and a statement of commission due;

- unit price, total cost, freight, insurance and other charges;
- if applicable, a statement that published catalogues or price lists do not exist for the invoiced products.

Bill of Lading: The bill of lading should be nonnegotiable, numbered, and dated. A copy should be attached to each commercial invoice. The bill must also display the import licence number and expiration date, as well as the freight charges in both numbers and words.

Special Documentation: Various special documents are required for the importation of specific products. Exporters are encouraged to consult with local agents to ensure that the documentary needs for their products are met.

All documents must accompany the product when it enters customs and must be accurately completed to avoid long delays and/or fines. According to Brazil's Basic Import Regulations, the fines in Brazil can be very heavy; for example, importing without an import permit can result in fines ranging from 20% to 100% of the c.i.f. value of the products.

Authentication of documents: Documents requiring authentication, such as certificates of sale and letters authorizing an exporter's local agent or importer to act on their behalf, must first be notarized in Canada. The notarized documents can then be authenticated, free of charge, by sending them to:

Department of Foreign Affairs and International Trade
Authentication and Service of Documents (JLAC)
125 Sussex Drive, Ottawa K1A 0G2
Telephone: (613) 992-6602
Facsimile: (613) 992-2467

Export Credit Risks, Restrictions on Letters of Credit, or Currency Controls

On March 17, 1999, the Brazilian Central Bank announced its decision to lift restrictions on import financing that were introduced in 1997. Short-term financing is now allowed. The decision was made because of the scarcity of credit lines exceeding one year and with the aim of reducing the pressure exerted by imports on the demand for U.S. dollars and on the exchange rate. For more detailed information, please contact the Canadian Embassy in Brasilia.

PROMOTIONAL EVENTS

Event/Description	Organizer/Contact
Gas & Shop 23-26 November 1999 November 2000 (TBC) São Paulo, SP Brazil Aimed at suppliers of food to convenience stores such as snacks, beer, confectionary, biscuits and frozen products.	Miller Freeman do Brasil Ltda. Rua Vanderlei 848 Cep: 05011-001 São Paulo, SP Brazil Phone: +55 (11) 3873-0081 Fax: +55 (11) 3873-1912 Contact: Claudia Godoy email: cgodoy@mfbr.com www.mfbr.com
ABIA FOOD SERVICE 2000 8-11 February 2000 (Annual) São Paulo, SP Brazil International trade show for food industry; cafeterias, restaurants, hotels, convenience stores, grocery stores.	AMM Feiras & Negócios Av. Nove de Julho 5966 cj.31 Cep: 01406-200 São Paulo, SP Brazil Phone: +55 (11) 3063-3205 Fax: +55 (11) 3068-9472 Contact: Ana Passoni email: amm@mtecnetsp.com.br
FISPAL 13-16 June 2000 (Annual) São Paulo, SP Brazil International, open to traders only. The major products exhibited are: Food and beverage, raw material packaging, equipmentand services.	Brasil Rio Promoções Empreendimentos Rua Ministro Nelson Hungria 239 cj04 Cep: 05690-060 - Real Parque São Paulo, SP Brazil Phone: (55-11) 3758-0996 Fax: (55-11) 3758-0165 Contact: Ligia Castro www.grupobrasilrio.com.br
Tecno Alimentaria Latin America - 3rd Tecno Bebida - 6th Food Ingredients Brazil 2-4 August 2000 (Annual) São Paulo, SP Brazil Trade shows for the food and beverage industry aimed at suppliers of machinery, equipment, services, packaging and raw material (for Tecno Bebida) and food ingredients, flavourings, colourings and preserving devices (for Food Ingredients Brasil)	Miller Freeman do Brasil Ltda. Rua Vanderlei 848 Cep: 05011-001 São Paulo, SP Brazil Phone: +55 (11) 3873-0081 Fax: +55 (11) 3873-1912 Contact: Claudia Godoy E-mail: cgodoy@mfbr.com Internet: www.mfbr.com

Event/Description	Organizer/Contact
EQUIPOTEL August 2000 (TBC) São Paulo, SP Brazil International trade show for suppliers of machinery, products and services to restaurants, fast foods, chains and hotels.	Equipotel Feiras, Edicões e Promoções Ltda. Rua Afonso Celso 797 Cep: 04119-060 São Paulo, SP Brazil Phone: +55 (11) 574-5166 Fax: +55 (11) 574-5043 Contact: Fernanda Secco
ABRAS September 2000 (TBC) Rio de Janeiro, RJ Brazil Food showcase targeting agri-food manufacturers and retailers. Largest show in the sector in Brazil. Organized by the Brazilian Supermarkets Association.	ABRAS Av. Diógenes Ribeiro de Lima 2872 Cep: 05083-901 - Alto da Lapa São Paulo, SP Brazil Phone: +55 (11) 838-4500 Fax: +55 (11) 837-9933 Contact: Claudio Guidini

KEY GOVERNMENT CONTACTS AND SUPPORT SERVICES

Canadian Government Contacts

Canadian Embassy
SES Av. das Nações, Lote 16
70410-900 Brasilia, DF, Brazil
Contact: David Weiner
First Secretary (Commercial/Economic)
Tel: +55 (61) 321-2171
Fax: +55 (61) 321-4529
Email: david.weiner@dfait-maeci.gc.ca

Canadian Consulate General, Rio de Janeiro
Rua Lauro Muller 116, Room 2707
Torre Rio Sul-Botafogo, 22290-116
Rio de Janeiro, RJ, Brazil
Tel: +55 (21) 542-7593 / 275-2039
Fax: +55 (21) 275-2195

Canadian Consulate General, São Paulo
Edificio Top Center,
Avenida Paulista 854, 5 Andar
01310-913 São Paulo, SP, Brazil
Contact: Claude N. Fontaine
Senior Trade Commissioner
Tel: +55 (11) 253-4944
Fax: +55 (11) 3171-0058
Email: infocentre-spalo@dfait-maeci.gc.ca

Department of Foreign Affairs and International Trade
Market Support Division (TCM)
125 Sussex Drive
Ottawa, ON K1A 0G2
Tel: 1-800-267-8376 or (613) 995-1773
Fax: (613) 944-0050

Department of Foreign Affairs and International Trade
South America and Inter-American Division (LSR)
125 Sussex Drive
Ottawa, ON K1A 0G2
Tel: (613) 996-5546
Fax: (613) 943-8806

Agriculture and Agri-Food Canada
Sir John Carling Building
930 Carling Ave.
Ottawa, ON K1A 0C5
Contact: Marcello di Franco
Senior International Marketing Officer
Tel: (613) 759-7753
Fax: (613) 759-7505
Email: difrancom@em.agr.ca

Business Development Bank of Canada
#400, 5 Place Ville Marie
Montreal, QC H3B 2G2
Tel: 1-888-463-6232
Fax: (514) 283-0617
Internet: http://www.bdc.ca/

Canadian Commercial Corporation
Metropolitan Centre
50 O'Connor St., 11th Floor
Ottawa, ON K1A 0S6
Tel: 1-800-748-8191 or (613) 996-0034
Fax: (613) 995-2121
Internet: http://www.ccc.ca
E-mail: info@ccc.ca

Canadian International Development Agency (CIDA)
Place du Centre
200 Promenade du Portage
Hull, QC K1A OG4
Tel: (819) 997-5456
Fax: (819) 953-5024

Export Development Corporation
151 O'Connor St.
Ottawa, ON K1A 1K3
Tel: (613) 598-2500
Fax: (613) 598-2503
E-mail: export@edc4.edc.ca
Internet: http://www.edc.ca

Agriculture and Agri-Food Canada

The Agri-Food Trade Service regional contacts are:

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St. John's, NF
Tel.: (709) 772-0330
E-mail: mcisaaca@em.agr.ca

Shelley Manning
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E-mail: mannings@em.agr.ca

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Moncton, NB
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E-mail: malletb@em.agr.ca

Chris Pharo
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E-mail: pharoc@em.agr.ca

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E-mail: gordonr@em.agr.ca

Rodney Dlugos
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Marg Toronchuk
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Tel.: (604) 666-7797
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Brazilian Government Offices in Canada

Brazilian Embassy
450 Wilbrod Street
Ottawa, ON K1N 6M8
Tel: (613) 237-1090
Fax: (613) 237-6144

Brazilian Consulate General, Vancouver
1140 Bender Street
Suite 1300
Vancouver, BC V6E 4G1
Tel: (604) 687-4589
Fax: (604) 681-6534
E-mail: cbg@mindlink.net

Brazilian Consulate General, Montreal
2000 Mansfield Street
Montreal, QC H3A 3A5
Tel: (514) 499-0968
Fax: (514) 499-3963
E-mail: consbras@brasil.interax.net

Brazilian Consulate General, Toronto
Trade Commission
77 Bloor Street West
Suite 1109
Toronto, ON M5F 1M2
Tel: (416) 922-2503
Fax: (416) 922-1832
E-mail: cgbrtor@interlog.com

Brazilian Government Offices in Brazil

Foreign Trade and Investment Department (DECEX)
Rio de Janeiro
Av. Nilo Peçanha, 50 32 ° andar / sala 3216
20044-900
Rio de Janeiro, RJ, Brazil
Tel: +55 (21) 534-8145
Fax: +55 (21) 262-1495

Ministry of Foreign Affairs (MRE)
Trade Promotion Department
Esplanada dos Ministérios
Palácio do Itamaraty - 70170-900
Brasília, DF, Brazil
Tel: +55 (61) 211-6240
Fax: +55 (61) 223-2392

Technical Department of Tariffs (DTT)
Av. Presidente Antonio Carlos,
375 11° andar 20020-010
Rio de Janeiro, RJ, Brazil
Tel: +55 (21) 240-2548
Fax: +55 (21) 240-2857

Secretaria de Comercio Exterior (SECEX)
Ministerio da industria, do Comerio e do Turismo(MICT)
Esplanada dos Ministerios, Bloco J, 8 andar
Brasilia, DF
70056-900, Brazil
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Fax: +55 (61) 325-2075

Canadian Banks in Brazil

Bank of Montreal
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AV. Rio Branco 143-18 Andar
20040-006
Rio De Janeiro, RJ
20149 Brazil
Representative: Ely Couto
Tel: +55 (21) 271-0428
Fax: +55 (21) 242-9543

Royal Bank of Canada
(Banco Royal Do Canada (Brasil) S.A.)
Avendia Paulista 460-16 Andar
0310 São Paulo, SP, Brazil
Representative: C.A. Barbouth
Tel: +55 (11) 283-3911
Fax: +55 (11) 384-0508

Chambers of Commerce and Industry Associations

Brazilian Association of Trading Companies (ABECE)
Rua Da Quitanda, 191 - 6° andar
20091-000
Rio de Janeiro, RJ, Brazil
Tel: (21) 253-1225
Fax: (21) 253-7278

Brazil-Canada Chamber of Commerce
Suite 300, 360 Bay Street
Toronto, ON M5H 2V6
Tel : (416) 364-3555
Fax : (416) 364-3453

Brazilian Foreign Trade Association (AEB)
Av. General Justo, 335/ 4° andar
20021-130 Rio de Janeiro, RJ, Brazil
Tel: +55 (21) 240-5048
Fax: +55 (21) 240-5463

Canadian Council for the Americas
360 Bay Street, Suite 300
Toronto, ON M5H 2V6
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Av. General Justo, 307/ 6° andar
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Rio de Janeiro, RJ, Brazil
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National Confederation of Industry
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McCain Foods Limited: www.mccain.com

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OTHER REFERENCE MATERIAL

Print:

Canadian Consulate General, São Paulo, *How to Export Processed Foods to Brazil*, March 1998.

Useful Internet Sites:

Agri-Food Trade Service: **www.atn-riae.agr.ca**

BrazilTradeNet: **www.dpr.mre.gov.br/e/default-e.htm**

Canadian Consulate General in São Paulo: **www.dfait-maeci.gc.ca/spaulo/in/wait_in.htm**

Exhibitions 'Round the World: **www.exhibitions-world.com**

Governments on the WWW: Brazil: **www.gksoft.com/govt/en/br.html**

InfoExport: **www.infoexport.gc.ca**

Inside Brazil: **www.amcham.com.br/publicadept/inside/ibhis.htm**

International Development Research Center (IDRC): **www.idrc.ca/lacro/investigacion/mercosur.html**

Strategis: **http://strategis.ic.gc.ca**

Tradeport: **www.tradeport.org**

Trade Show Central: **www.tscentral.com**

USDA: **www.fas.usda.gov**

World Bank: **www.worldbank.org**

Table 3: Currency Conversion Rates for the Canadian dollar, the Brazilian real and the U.S. dollar (using average annual rates)

Source to Target Currency	1995	1996	1997	1998	1999*
Canadian dollar to Brazilian real	1.2590	1.3703	1.2797	1.2729	2.6112
Brazilian real to Canadian dollar	0.7943	0.7298	0.7814	0.7856	0.3830
Canadian dollar to U.S. dollar	0.7289	0.7334	0.7224	0.6747	0.6703
U.S. dollar to Canadian dollar	1.3724	1.3635	1.3846	1.4837	1.4923

* based on data from January 1 to July 1, 1999.
Sources: IDD Information Services, *Tradeline*, July, 1999; United States Federal Reserve Bank of St. Louis